

# United States Senate

WASHINGTON, DC 20510-4904

February 25, 2008

The Honorable Tom Harkin  
Chairman  
U.S. Senate Committee on Agriculture,  
Nutrition and Forestry  
328A Russell Senate Office Building  
Washington, DC 20510

The Honorable Saxby Chambliss  
Ranking Member  
U.S. Senate Committee on Agriculture,  
Nutrition and Forestry  
328A Russell Senate Office Building  
Washington, DC 20510

The Honorable Max Baucus  
Chairman  
U.S. Senate Committee on Finance  
219 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Chuck Grassley  
Ranking Member  
U.S. Senate Committee on Finance  
219 Dirksen Senate Office Building  
Washington, DC 20510

Dear Chairman Harkin and Baucus and Ranking Member Chambliss and Grassley:

First, let me thank you for your dedication and hard work on the Senate version of the Farm Bill that has now continued into conference. I understand that there is some pressure to remove tax-related provisions from the legislation, so I would like to reiterate my support for a provision that fixes an injustice in the Tax Code that is threatening the eligibility for social safety net programs of family farmers and other self-employed individuals, and urge you to retain Section 12502 of the Senate Farm Bill, which is similar to my Farmer Tax Fairness Act of 2007 (S. 2097).

One concern that I have heard from Wisconsin farmers and their tax preparers is that the Tax Code can limit their eligibility for social safety net programs, including old age, survivors, and disability insurance, OASDI, under Social Security, and the hospital insurance HI part of Medicare. As you know, these programs are paid for through payroll taxes on workers and through the self-employment tax on the income of self-employed individuals. To be eligible for OASDI and HI benefits an individual must be fully insured and must have earned a minimum amount of income in the years immediately preceding the need for coverage. Every year, the Social Security Administration, SSA, sets the amount of earned income that individuals must pay taxes on to earn quarters of coverage, QCs, and maintain their benefits. An individual's eligibility requirements depend upon the age at which death or disability occurs, but for workers over 31 years of age, they must have earned at least 20 QCs within the past 10 years.

Self-employed individuals can have highly variable income, and, particularly for farmers who are at the whim of Mother Nature, not every year is a good year. During lean years, individuals may not earn enough income to maintain adequate coverage under OASDI and HI. Therefore, the Tax Code provides options to allow self-employed individuals to maintain eligibility for benefits.

These options allow individuals to choose to pay taxes based on \$1,600 of earned income, thus

allowing self-employed entrepreneurs to maintain the same federal protections even when their income varies.

Unfortunately, the options for farmers and nonfarmers--Social Security Act §211(a) and I.R.C. §1402(a)--have not kept pace with inflation, and they no longer provide security to families across the country. Decades ago, self-employment income of \$1,600 earned an individual four QCs under SSA's calculations. In 2001, the amount needed to earn a QC rose to \$830 of earned income, so individuals electing the optional methods were only able to earn one QC per year, making it much harder for them to remain eligible for benefits because they must average 2 QCs per year to be eligible. With inflation, there is no chance of the amount needed to earn a QC dropping on its own and it has steadily risen since 2001, so legislation is needed to fix this unanticipated erosion in this option for farmers and the self-employed.

Both my Farmer Tax Fairness Act of 2007 and Section 12502 of the Senate-passed Farm Bill seek to redress this oversight and solve the problem once and for all. The provision does not force anyone to pay more, but simply provides an update to the Tax Code so farmers and self-employed individuals can retain full eligibility for OASDI and HI benefits and can claim enough earned income to qualify for four OCs annually.

This is not a new problem and it is high time Congress fixes it. In the 107<sup>th</sup> Congress, the then-Chairman and the current distinguished Ranking Member of the Finance Committee included similar legislative language in the chairman's mark for the Small Business and Farm Economic Recovery Act of 2002, but unfortunately the changes to the optional methods did not become law. As you consider Farm Bill tax provisions, I urge you to retain Section 12502 in the final Farm Bill.

Sincerely,



Russell D. Feingold  
United States Senator